

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Richland Township	County Saginaw
Audit Date March 31, 2005	Opinion Date July 5, 2005	Date Accountant Report Submitted to State: September 22, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
Street Address 5800 GRATIOT, PO BOX 2025	City SAGINAW	State MI	Zip 48605
Accountant Signature 			



Hemlock, Michigan

Financial Statements

For the Year Ended
March 31, 2005



REHMANN ROBSON

Certified Public Accountants

RICHLAND TOWNSHIP

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REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

July 1, 2005

Members of the Township Board
Richland Township
Hemlock, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Richland Township**, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Richland Township**, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons of the General, Fire, Police, Trash Collection and Library governmental funds for the year then ended in conformity with accounting principles general accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2005, on our consideration of **Richland Township's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an

opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on pages 3-13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ***Richland Township's*** basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

Management's Discussion and Analysis

As management of **Richland Township, Michigan**, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2005. We encourage readers to consider the information presented here.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$4,130,881 (*net assets*). Of this amount, \$1,599,071 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$77,799.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,270,247, a decrease of \$103,711 in comparison with the prior year. More than 90 percent of this total amount, or \$1,114,466, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$189,194, or 30 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected special assessments).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety, public works, health and welfare, and recreation and cultural. The business-type activities of the Township include sanitary sewer and water operations.

The government-wide financial statements can be found on pages 14-15 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, fire, police, trash collection and library funds, each of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 16-24 of this report.

Proprietary funds. The Township maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses enterprise funds to account for its sanitary sewer and water operations. *Internal service funds* are an accounting device used to accumulate and allocate cost internally among the Township's various functions. The Township's uses internal service funds to account for its motor pool operations and fringe benefits. Because both of these services predominately benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sanitary sewer and water operations, both of which are considered to be major funds of the Township. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 25-29 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial

statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for governmental funds.

The basic fiduciary fund financial statement can be found on page 30 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-50 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the accompanying notes. Combining and individual fund statements and schedules can be found on pages 51-62 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Richland Township, assets exceeded liabilities by \$4,130,881 at the close of the most recent fiscal year.

One of the largest portions of the Township's net assets (58 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Richland Township's Net Assets						
	Governmental Activities		Business-Type Activities		Total	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Current and other assets	\$ 1,465,644	\$ 1,368,817	\$ 267,216	\$ 335,539	\$ 1,732,860	\$ 1,704,356
Capital assets	<u>1,602,596</u>	<u>1,741,338</u>	<u>1,942,041</u>	<u>1,842,659</u>	<u>3,544,637</u>	<u>3,583,997</u>
Total assets	<u>3,068,240</u>	<u>3,110,155</u>	<u>2,209,257</u>	<u>2,178,198</u>	<u>5,277,497</u>	<u>5,288,353</u>
Long-term liabilities						
outstanding	622,593	580,803	539,924	511,852	1,162,517	1,092,655
Other liabilities	<u>41,522</u>	<u>40,868</u>	<u>9,170</u>	<u>23,949</u>	<u>50,692</u>	<u>64,817</u>
Total liabilities	<u>664,115</u>	<u>621,671</u>	<u>549,094</u>	<u>535,801</u>	<u>1,213,209</u>	<u>1,157,472</u>
Net assets:						
Invested in capital						
assets, net of						
related debt	1,002,596	1,186,338	1,402,117	1,330,807	2,404,713	2,517,145
Restricted	14,823	14,665	-	-	14,823	14,665
Unrestricted	<u>1,386,706</u>	<u>1,287,481</u>	<u>258,046</u>	<u>311,590</u>	<u>1,644,752</u>	<u>1,599,071</u>
Total net assets	<u>\$ 2,404,125</u>	<u>\$ 2,488,484</u>	<u>\$ 1,660,163</u>	<u>\$ 1,642,397</u>	<u>\$ 4,064,288</u>	<u>\$ 4,130,881</u>

An additional portion of the Township's net assets (less than 1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (39 percent or \$1,599,071) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The Township's restricted net assets increased by \$158 during the current fiscal year. This increase largely reflects deposits held by others.

The Township's net assets increased by \$77,799 during the current fiscal year. This growth largely reflects the degree to which ongoing revenues exceeded ongoing expenses.

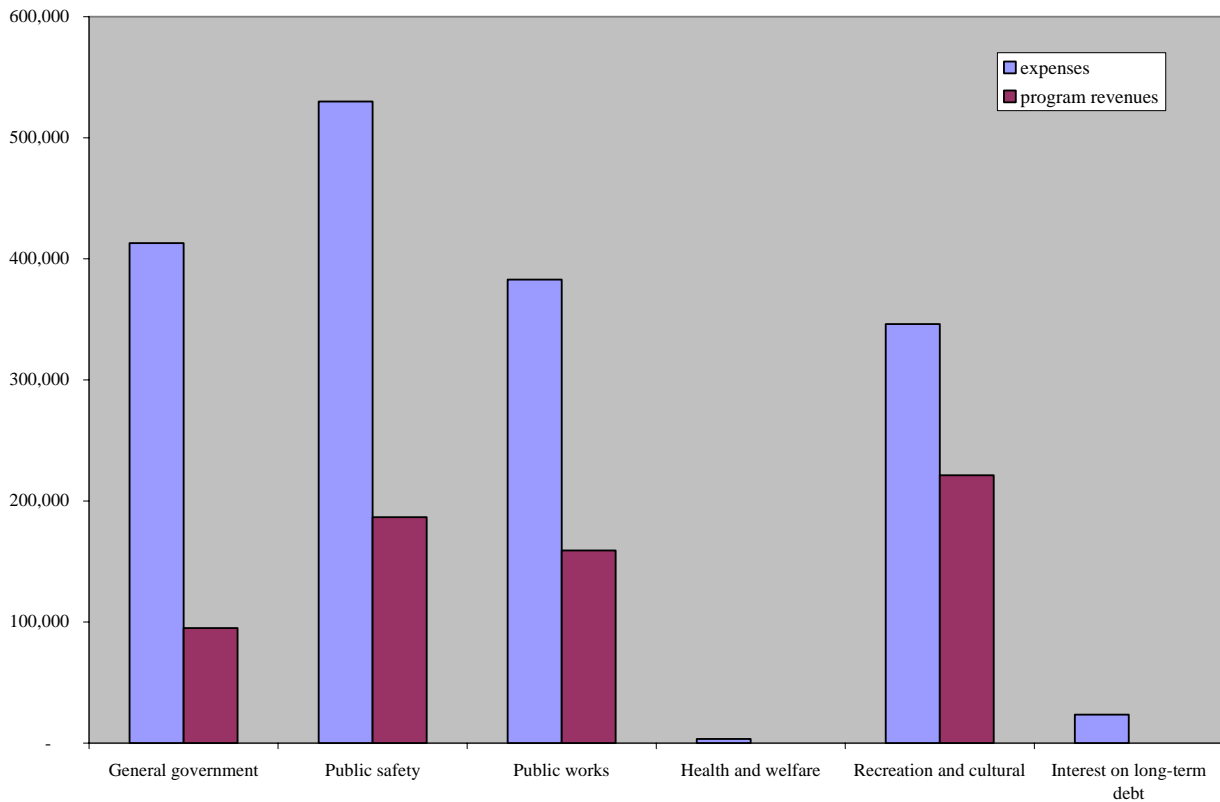
Richland Township's Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Revenue:						
Program revenue:						
Charges for services	\$ 378,865	\$ 363,621	\$ 398,120	\$ 385,506	\$ 776,985	\$ 749,127
Operating grants and contributions	11,448	11,888	-	-	11,448	11,888
Capital grants and contributions	84,613	286,595	-	-	84,613	286,595
General revenue:						
Property taxes	661,680	689,752	-	-	661,680	689,752
Grants and contrib. not restricted to specific programs	345,368	338,711	-	-	345,368	338,711
Other	<u>39,561</u>	<u>102,002</u>	<u>7,966</u>	<u>7,469</u>	<u>47,527</u>	<u>109,471</u>
Total revenue	<u>1,521,535</u>	<u>1,792,569</u>	<u>406,086</u>	<u>392,975</u>	<u>1,927,621</u>	<u>2,185,544</u>
Expenses:						
General government	452,293	412,920	-	-	452,293	412,920
Public safety	494,133	529,927	-	-	494,133	529,927
Public works	292,995	382,855	-	-	292,995	382,855
Health and welfare	3,478	3,434	-	-	3,478	3,434
Recreation and cultural	242,253	346,129	-	-	242,253	346,129
Interest on long-term debt	34,769	23,558	-	-	34,769	23,558
Sanitary sewer	-	-	182,521	168,034	182,521	168,034
Water	<u>-</u>	<u>-</u>	<u>211,740</u>	<u>217,472</u>	<u>211,740</u>	<u>217,472</u>
Total expenses	<u>1,519,921</u>	<u>1,698,823</u>	<u>394,261</u>	<u>385,506</u>	<u>1,914,182</u>	<u>2,084,329</u>
Increase (decrease) in net assets	(11,194)	93,746	11,825	(15,947)	13,439	77,799
Net assets – beginning of year	<u>2,413,705</u>	<u>2,394,738</u>	<u>1,648,338</u>	<u>1,658,344</u>	<u>4,050,849</u>	<u>4,053,082</u>
Total net assets	<u>\$ 2,402,511</u>	<u>\$ 2,488,484</u>	<u>\$ 1,660,163</u>	<u>\$ 1,642,397</u>	<u>\$ 4,064,288</u>	<u>\$ 4,130,881</u>

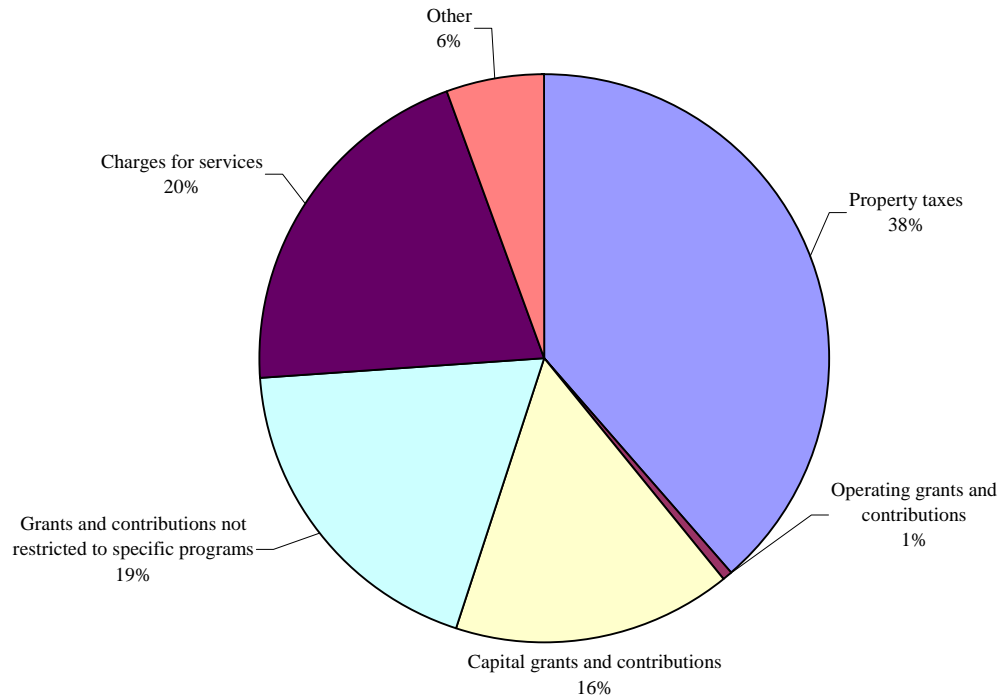
Governmental activities. Governmental activities increased the Township's net assets by \$93,746 resulting in minimal growth in the net assets of the Township. Key elements of this increase are as follows:

- Property taxes increased by \$28,072 (4 percent) during the year. Most of this increase is the product of increased taxable values and residential growth.
- Grants and contributions not restricted to specific programs was composed of the sales tax revenues shared by the State of Michigan under the Revenue Sharing Act and the State's allocation was reduced by \$6,657 (2 percent) during the year.
- Capital Grants increased by \$201,982 during the year. Most of this increase relates to a FEMA grant received by the Township's fire fund.
- The Township expenses increased for the public works by \$89,860. This is primarily due to an increase in road construction projects within the Township. Expenses for Recreation and Cultural also increased by \$103,876. This increase is due to the renovations of the Rauchholz Memorial Library.

Expenses and Program Revenues - Governmental Activities



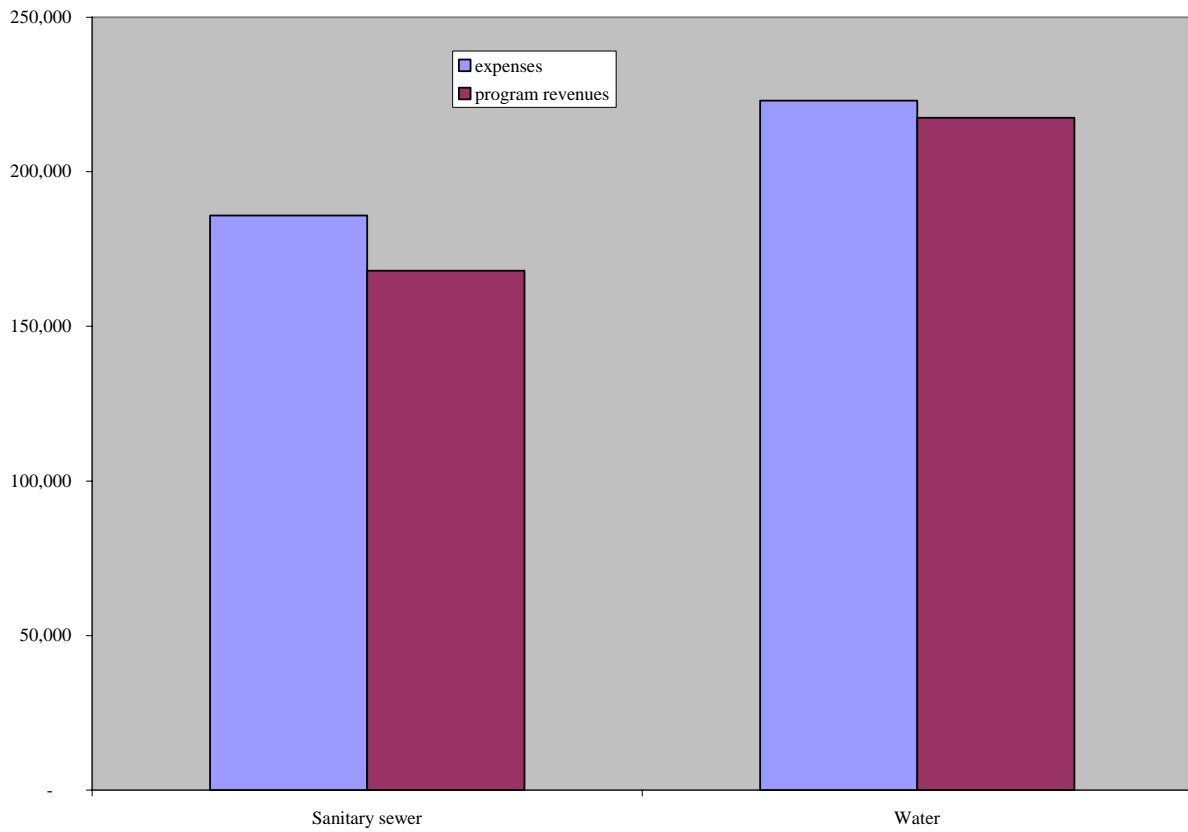
Revenues by Source - Governmental Activities



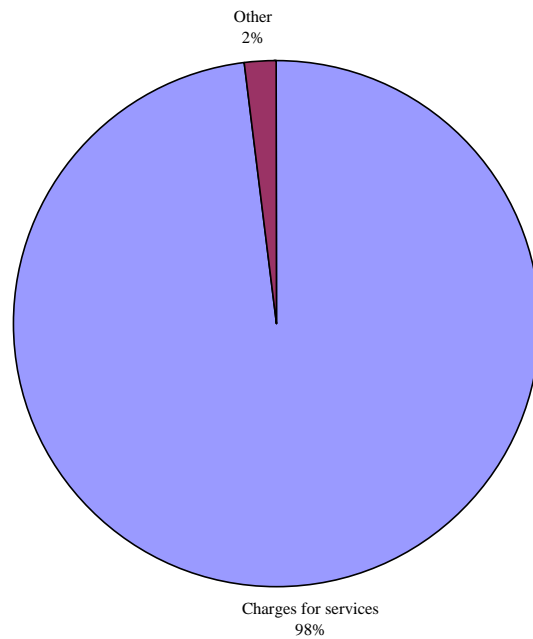
Business-type activities. Business-type activities decreased the Township's net assets by \$15,947, resulting in a decrease in the net assets of the Township. Key elements of this increase are as follows:

- Expenses remained constant while charges for services decreased \$13,207.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Township's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,270,247, a decrease of \$103,711 in comparison with the prior year. Approximately 88 percent of this total amount (\$1.14 million) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to pay for specific capital projects (\$2,520), 2) for a variety of other restricted purposes (\$11,624), or 3) for long-term advances (\$141,637).

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$189,194, and total fund balance was \$330,831. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 57 percent of total general fund expenditures.

The fund balance of the Township's general fund decreased by \$69,166 during the current fiscal year. The decrease is attributable to expenditures in excess of revenues, coupled with a transfer out for the purchase of a building by the library fund.

The police fund has a total fund balance of \$190,030, which increased by \$37,649 during the year. The increase is primarily attributable to a decrease in capital outlay expenditures from the prior year for the construction of the public safety building.

The trash collection fund has a total fund balance of \$303,656, which increased by \$9,534 during the year. The increase is attributable to the stable contractual service costs while the annual special assessment revenue was increased to cover anticipated increases in contractual service costs.

The library fund has a total fund balance of \$122,733, which decreased by \$116,787 due to building renovations.

Proprietary funds. The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the sanitary sewer and water funds at the end of the year amounted to \$199,563 and \$141,936 respectively. The sanitary sewer fund had a decrease in net assets for the year of \$9,782 and the water fund had an increase in net assets for the year of \$2,421. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Township's business-type activities.

General Fund Budgetary Highlights

Differences between the original and final amended budgets for expenditures were relatively minor and the adjustments were made as a part of the Township's budget procedures to address changes in activity during the year.

Budget to actual comparisons for the Township's general fund were generally favorable.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2005, amounted to \$3,583,997 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment. The total increase in the Township's investment in capital assets for the current fiscal year was 5 percent (a 18 percent increase for governmental activities and a 5 percent decrease for business-type activities).

Major capital asset events during the current fiscal year included the following:

- The renovation of the Rauchholz Memorial Library

Richland Township's Capital Assets (net of depreciation)						
	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Land	\$ 157,833	\$ 157,833	\$ 67,590	\$ 67,590	\$ 225,423	\$ 225,423
Land improvements	217,620	201,001	-	-	217,620	201,001
Buildings and systems	952,313	1,081,170	1,862,402	1,764,570	2,814,715	2,845,740
Equipment	75,648	138,580	12,049	10,499	87,697	149,079
Vehicles	<u>199,182</u>	<u>162,754</u>	<u>-</u>	<u>-</u>	<u>199,182</u>	<u>162,754</u>
Total net assets	<u>\$ 1,602,596</u>	<u>\$ 1,741,338</u>	<u>\$ 1,942,041</u>	<u>\$ 1,842,659</u>	<u>\$ 3,544,637</u>	<u>\$ 3,583,997</u>

Additional information on the Township's capital assets can be found in note 5 on pages 41-43 of this report.

Long-term debt. At the end of the current fiscal year, the Township had total debt outstanding of \$1,092,655. Of this amount, \$1,090,000 represents bonds secured solely by specified revenue sources (i.e., revenue bonds), \$25,803 represents accrued compensated absences, and a \$23,148 reduction represents deferred charges on the bonds.

Richland Township's Outstanding Debt
General Obligation and Revenue Bonds

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Revenue bonds	\$ 600,000	\$ 555,000	\$ 565,000	\$ 535,000	\$ 1,165,000	\$ 1,090,000
Accrued compensated absences	22,593	25,803	-	-	22,593	25,803
Deferred charges	-	-	(25,076)	(23,148)	(25,076)	(23,148)
Total net debt	<u>\$ 622,593</u>	<u>\$ 580,803</u>	<u>\$ 539,924</u>	<u>\$ 511,852</u>	<u>\$ 1,162,517</u>	<u>\$ 1,092,655</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the Township is \$9,318,586, which is significantly in excess of the Township's outstanding general obligation debt.

Additional information on the Township's long-term debt can be found in note 8 on pages 45-47 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Township's budget for the 2005-06 fiscal year:

- The March 2005 unemployment rate for the Saginaw County metropolitan area (the Township is in the Saginaw area) was 8.7 percent, which is an increase from a rate of 9.1 percent a year ago. The State average was 7.6 percent and National rate was 5.4 percent.
- The Township is comprised principally of residential areas. There is a stable business base that includes some light industrial operation.
- Inflationary trends in the region compare favorably to national indices.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township Clerk's Office, 1180 North Hemlock Road, Hemlock, Michigan 48626.

RICHLAND TOWNSHIP**Statement of Net Assets
March 31, 2005**

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,220,817	\$ 282,534	\$ 1,503,351
Receivables	98,007	80,248	178,255
Internal balances	29,909	(29,909)	-
Prepaid items	5,940	2,666	8,606
Restricted cash and cash equivalents	14,144	-	14,144
Nondepreciable capital assets	157,833	67,590	225,423
Depreciable capital assets, net	1,583,505	1,775,069	3,358,574
Total assets	3,110,155	2,178,198	5,288,353
Liabilities			
Accounts payable and accrued expenses	40,868	23,949	64,817
Noncurrent liabilities:			
Due within one year	74,054	30,000	104,054
Due in more than one year	506,749	481,852	988,601
Total liabilities	621,671	535,801	1,157,472
Net Assets			
Invested in capital assets, net of related debt	1,186,338	1,330,807	2,517,145
Restricted for:			
Capital improvements	2,520	-	2,520
Deposits held by others	11,624	-	11,624
Nonexpendable cemetery trust	521	-	521
Unrestricted	1,287,481	311,590	1,599,071
Total net assets	\$ 2,488,484	\$ 1,642,397	\$ 4,130,881

The accompanying notes are an integral part of these financial statements.

RICHLAND TOWNSHIP

**Statement of Activities
For the Year Ended March 31, 2005**

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government					
Governmental activities:					
General government	\$ 412,920	\$ 89,373	\$ 5,705	\$ -	\$ (317,842)
Public safety:					
Police protection	310,768	1,646	3,181	-	(305,941)
Fire protection	165,399	35,700	-	118,198	(11,501)
Building inspections	36,117	27,971	-	-	(8,146)
Other public safety	17,643	-	-	-	(17,643)
Public works:					
Roads and bridges	197,372	-	-	-	(197,372)
Trash collection	153,145	159,241	-	-	6,096
Other public works	32,338	-	-	-	(32,338)
Health and welfare	3,434	-	-	-	(3,434)
Recreation and cultural:					
Parks	105,589	19,141	700	-	(85,748)
Library	240,540	30,549	2,302	168,397	(39,292)
Interest on long-term debt	23,558	-	-	-	(23,558)
Total governmental activities	<u>1,698,823</u>	<u>363,621</u>	<u>11,888</u>	<u>286,595</u>	<u>(1,036,719)</u>
Business-type activities:					
Sanitary sewer	185,914	168,034	-	-	(17,880)
Water	223,008	217,472	-	-	(5,536)
Total business-type activities	<u>408,922</u>	<u>385,506</u>	<u>-</u>	<u>-</u>	<u>(23,416)</u>
Total primary government	<u>\$ 2,107,745</u>	<u>\$ 749,127</u>	<u>\$ 11,888</u>	<u>\$ 286,595</u>	<u>\$ (1,060,135)</u>

The accompanying notes are an integral part of these financial statements.

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets			
Net (expense) revenue	\$ (1,036,719)	\$ (23,416)	\$ (1,060,135)
General revenues:			
Property taxes:			
Property taxes, levied for general purposes	92,787	-	92,787
Property taxes, levied for fire protection	98,450	-	98,450
Property taxes, levied for police protection	334,747	-	334,747
Property taxes, levied for park operations	93,364	-	93,364
Property taxes, levied for library operations	70,030	-	70,030
Payment in lieu of property taxes	374	-	374
Grants and contributions not restricted to specific programs	338,711	-	338,711
Unrestricted investment earnings	18,631	4,667	23,298
Miscellaneous	83,371	2	83,373
Gain on sale of capital assets	-	2,800	2,800
Total general revenues	1,130,465	7,469	1,137,934
Change in net assets	93,746	(15,947)	77,799
Net assets, beginning of year - as restated	2,394,738	1,658,344	4,053,082
Net assets, end of year	<u>\$ 2,488,484</u>	<u>\$ 1,642,397</u>	<u>\$ 4,130,881</u>

The accompanying notes are an integral part of these financial statements.

RICHLAND TOWNSHIP

Balance Sheet Governmental Funds March 31, 2005

	General	Fire	Police	Trash Collection
Assets				
Cash and cash equivalents	\$ 152,036	\$ 114,964	\$ 313,980	\$ 257,444
Taxes receivable - delinquent	4,871	-	-	44,622
Due from other funds	-	-	-	629
Due from State	48,514	-	-	-
Prepaid expenditures	3,015	-	2,496	-
Advances to other funds	141,637	-	-	-
Restricted assets - cash and cash equivalents	-	-	2,520	11,624
Total assets	\$ 350,073	\$ 114,964	\$ 318,996	\$ 314,319
Liabilities and fund equity				
Liabilities				
Accounts payable	\$ 4,497	\$ 4,109	\$ 1,250	\$ 10,663
Accrued liabilities	79	-	-	-
Due to other funds	5,954	-	-	-
Due to other governmental units	8,712	-	-	-
Advances from other funds	-	13,921	127,716	-
Total liabilities	19,242	18,030	128,966	10,663
Fund equity				
Fund balances:				
Reserved for capital improvements	-	-	2,520	-
Reserved for deposits held by others	-	-	-	11,624
Reserved for long-term advances	141,637	-	-	-
Unreserved:				
Reported in:				
General Fund	189,194	-	-	-
Special Revenue Funds	-	96,934	187,510	292,032
Permanent Fund	-	-	-	-
Total fund equity	330,831	96,934	190,030	303,656
Total liabilities and fund equity	\$ 350,073	\$ 114,964	\$ 318,996	\$ 314,319

The accompanying notes are an integral part of these financial statements.

Library	Other Governmental Funds	Total Governmental Funds
\$ 123,150	\$ 221,517	\$ 1,183,091
-	-	49,493
-	6,057	6,686
-	-	48,514
429	-	5,940
-	-	141,637
-	-	14,144
<hr/>		
\$ 123,579	\$ 227,574	\$ 1,449,505

\$ 532	\$ 1,093	\$ 22,144
-	-	79
314	418	6,686
-	-	8,712
-	-	141,637
<hr/>		
846	1,511	179,258

-	-	2,520
-	-	11,624
-	-	141,637
<hr/>		
-	-	189,194
122,733	225,542	924,751
-	521	521
<hr/>		
122,733	226,063	1,270,247
<hr/>		
\$ 123,579	\$ 227,574	\$ 1,449,505

RICHLAND TOWNSHIP

**Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
March 31, 2005**

Fund balances - total governmental funds	\$ 1,270,247
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets	2,507,787
Deduct - accumulated depreciation	(808,488)

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - bonds payable	(555,000)
Deduct - accumulated compensated absences	(25,803)
Deduct - accrued interest payable	(9,222)

Elimination of Internal Service Fund activities	<u>108,963</u>
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Net assets of governmental activities	<u><u>\$ 2,488,484</u></u>
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The accompanying notes are an integral part of these financial statements.

RICHLAND TOWNSHIP

**Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended March 31, 2005**

	General	Fire	Police
Revenues			
Taxes and special assessments	\$ 93,161	\$ 98,450	\$ 334,747
Licenses and permits	8,784	-	-
Intergovernmental revenue:			
Federal	-	118,198	-
State	333,150	-	3,181
Charges for services	24,780	-	-
Contributions and donations	9,323	35,700	-
Fines and forfeitures	-	-	-
Interest and rents	3,851	1,519	2,499
Other revenue	94,691	-	1,646
Total revenues	567,740	253,867	342,073
Expenditures			
General government	330,744	-	-
Public safety	17,643	88,325	302,967
Public works	226,717	-	-
Health and welfare	3,434	-	-
Recreation and cultural	-	-	-
Capital outlay	2,446	127,156	-
Debt service:			
Principal	25,000	20,000	-
Interest	18,180	5,378	-
Total expenditures	624,164	240,859	302,967
Revenues over (under) expenditures	(56,424)	13,008	39,106
Other financing sources (uses)			
Transfers in	1,673	-	-
Transfers (out)	(14,415)	(216)	(1,457)
Total other financing sources (uses)	(12,742)	(216)	(1,457)
Net change in fund balances	(69,166)	12,792	37,649
Fund balances, beginning of year - as restated	399,997	84,142	152,381
Fund balances, end of year	\$ 330,831	\$ 96,934	\$ 190,030

The accompanying notes are an integral part of these financial statements.

Trash Collection	Library	Other Governmental Funds	Total Governmental Funds
\$ 155,015	\$ 70,030	\$ 93,364	\$ 844,767
-	-	27,786	36,570
-	-	-	118,198
-	5,561	5,705	347,597
-	-	54,038	78,818
-	173,199	700	218,922
-	24,308	-	24,308
3,438	2,873	3,210	17,390
4,226	3,741	454	104,758
162,679	279,712	185,257	1,791,328
-	-	50,803	381,547
-	-	36,117	445,052
153,145	-	-	379,862
-	-	-	3,434
-	132,245	84,876	217,121
-	264,254	5,609	399,465
-	-	-	45,000
-	-	-	23,558
153,145	396,499	177,405	1,895,039
9,534	(116,787)	7,852	(103,711)
-	-	14,415	16,088
-	-	-	(16,088)
-	-	14,415	-
9,534	(116,787)	22,267	(103,711)
294,122	239,520	203,796	1,373,958
\$ 303,656	\$ 122,733	\$ 226,063	\$ 1,270,247

RICHLAND TOWNSHIP

**Reconciliation of the Statement of Revenues, Expenditures
and Change in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended March 31, 2005**

Net change in fund balances - total governmental funds	\$	(103,711)
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	261,712
Deduct - net value of capital assets sold	(10,000)
Deduct - depreciation expense	(92,650)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities	45,000
Deduct - changes in accrued compensated absences	(3,209)
Add - changes in accrued interest payable	593

Elimination of Internal Service Fund activities	<u>(3,989)</u>
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Change in net assets of governmental activities	<u>\$</u>	<u>93,746</u>
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The accompanying notes are an integral part of these financial statements.

RICHLAND TOWNSHIP

**Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
General Fund
For the Year Ended March 31, 2005**

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Taxes	\$ 105,788	\$ 112,704	\$ 93,161	\$ (19,543)
Licenses and permits	4,110	8,784	8,784	-
Intergovernmental revenue				
State	337,000	284,636	333,150	48,514
Charges for services	21,500	24,780	24,780	-
Contributions from local units	8,625	9,323	9,323	-
Interest and rents	4,900	3,851	3,851	-
Other revenue	28,900	102,933	94,691	(8,242)
Total revenues	510,823	547,011	567,740	20,729
Expenditures				
General government	329,134	329,771	330,744	973
Public safety	10,200	17,643	17,643	-
Public works	206,790	250,274	226,717	(23,557)
Health and welfare	3,000	3,434	3,434	-
Capital outlay	8,000	2,446	2,446	-
Debt service	43,805	43,180	43,180	-
Total expenditures	600,929	646,748	624,164	(22,584)
Revenues over (under) expenditures	(90,106)	(99,737)	(56,424)	43,313
Other financing (uses)				
Transfers in	19,093	13,038	1,673	(11,365)
Transfers (out)	(14,415)	(14,415)	(14,415)	-
Total other financing sources (uses)	4,678	(1,377)	(12,742)	(11,365)
Net change in fund balances	(85,428)	(101,114)	(69,166)	31,948
Fund balances, beginning of year - as restated	399,997	399,997	399,997	-
Fund balances, end of year	\$ 314,569	\$ 298,883	\$ 330,831	\$ 31,948

The accompanying notes are an integral part of these financial statements.

RICHLAND TOWNSHIP

**Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Fire Fund
For the Year Ended March 31, 2005**

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Taxes	\$ 93,125	\$ 98,450	\$ 98,450	\$ -
Intergovernmental revenue				
Federal	131,331	118,198	118,198	-
Contributions from local units	31,200	35,700	35,700	-
Interest	800	1,519	1,519	-
Total revenues	256,456	253,867	253,867	-
Expenditures				
Public safety:				
Salaries	35,000	30,321	30,452	131
Employee benefits	3,500	3,858	3,858	-
Supplies	19,570	18,902	13,266	(5,636)
Uniforms and cleaning	9,000	704	704	-
Contractual services	3,500	1,710	1,710	-
Telephone and utilities	14,100	13,168	14,072	904
Repairs and maintenance	7,000	9,516	9,516	-
Insurance	8,050	9,290	9,290	-
Administration fees	1,500	1,500	1,500	-
Workshops and conferences	4,200	2,297	2,297	-
Equipment rental	1,000	1,371	1,371	-
Miscellaneous	1,000	289	289	-
Capital outlay	131,331	118,316	127,156	8,840
Debt service				
Principal	20,000	20,000	20,000	-
Interest	5,378	5,378	5,378	-
Total expenditures	264,129	236,620	240,859	4,239
Revenues over (under) expenditures	(7,673)	17,247	13,008	(4,239)
Other financing (uses)				
Transfers (out)	(7,177)	(7,177)	(216)	(6,961)
Net change in fund balances	(14,850)	10,070	12,792	2,722
Fund balances, beginning of year	84,142	84,142	84,142	-
Fund balances, end of year	\$ 69,292	\$ 94,212	\$ 96,934	\$ 2,722

The accompanying notes are an integral part of these financial statements.

RICHLAND TOWNSHIP

**Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Police Fund
For the Year Ended March 31, 2005**

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Taxes	\$ 316,645	\$ 334,747	\$ 334,747	\$ -
Intergovernmental revenue				
State liquor inspection fees	2,585	3,181	3,181	-
Interest	1,550	2,499	2,499	-
Other revenue	1,200	1,646	1,646	-
Total revenues	321,980	342,073	342,073	-
Expenditures				
Public safety:				
Salaries	142,265	156,630	156,055	(575)
Employee benefits	99,284	105,142	105,142	-
Supplies	3,050	4,386	4,386	-
Uniforms and cleaning	3,500	3,875	3,985	110
Contractual services	1,000	405	405	-
Telephone	6,000	5,062	5,476	414
Repairs and maintenance	18,000	14,849	15,576	727
Insurance	5,000	5,327	5,327	-
Administration fees	3,078	2,928	2,927	(1)
Workshops and conferences	1,168	857	857	-
Miscellaneous	750	2,831	2,831	-
Total expenditures	283,095	302,292	302,967	675
Revenues over (under) expenditures	38,885	39,781	39,106	(675)
Other financing (uses)				
Transfers (out)	(5,861)	(5,861)	(1,457)	(4,404)
Net change in fund balances	33,024	33,920	37,649	3,729
Fund balances, beginning of year - as restated	152,382	152,382	152,381	(1)
Fund balances, end of year	\$ 185,406	\$ 186,302	\$ 190,030	\$ 3,728

The accompanying notes are an integral part of these financial statements.

RICHLAND TOWNSHIP

**Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Trash Collection Fund
For the Year Ended March 31, 2005**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Revenues				
Special assessments	\$ 155,200	\$ 159,541	\$ 155,015	\$ (4,526)
Interest	2,100	3,438	3,438	-
Other revenue	100	4,226	4,226	-
Total revenues	157,400	167,205	162,679	(4,526)
Expenditures				
Public works:				
Salaries	5,500	5,652	5,652	-
Employee benefits	2,500	2,858	2,858	-
Administration fees	2,862	2,862	2,862	-
Contractual services	142,800	131,111	141,773	10,662
Miscellaneous	500	-	-	-
Total expenditures	154,162	142,483	153,145	10,662
Net change in fund balances	3,238	24,722	9,534	(15,188)
Fund balances, beginning of year	294,122	294,122	294,122	-
Fund balances, end of year	\$ 297,360	\$ 318,844	\$ 303,656	\$ (15,188)

The accompanying notes are an integral part of these financial statements.

RICHLAND TOWNSHIP

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Library Fund For the Year Ended March 31, 2005

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Taxes	\$ 68,681	\$ 70,341	\$ 70,030	\$ (311)
Intergovernmental revenue				
State grants	5,487	5,561	5,561	-
Contributions from local units	2,500	2,500	2,500	-
Memorials and donations	188,500	170,699	170,699	-
Fines and forfeitures	20,000	24,308	24,308	-
Interest	500	2,873	2,873	-
Other revenue	3,550	3,741	3,741	-
Total revenues	289,218	280,023	279,712	(311)
Expenditures				
Recreation and cultural:				
Salaries	64,500	58,884	56,701	(2,183)
Employee benefits	14,600	15,524	15,524	-
Operating supplies	3,100	2,937	2,937	-
Contractual services	13,692	8,672	8,672	-
Insurance	2,200	2,050	2,050	-
Administration fees	1,300	1,300	1,300	-
Utilities	5,400	3,503	3,981	478
Memberships and dues	100	-	-	-
Telephone	1,500	1,364	1,364	-
Memorials	2,000	1,790	1,821	31
Repair and maintenance	1,500	14	14	-
Book, tapes, records, equipment	34,500	33,700	33,722	22
Miscellaneous	5,250	4,159	4,159	-
Capital outlay	298,200	264,254	264,254	-
Total expenditures	447,842	398,151	396,499	(1,652)
Net change in fund balances	(158,624)	(118,128)	(116,787)	1,341
Fund balances, beginning of year - as restated	239,520	239,520	239,520	-
Fund balances, end of year	\$ 80,896	\$ 121,392	\$ 122,733	\$ 1,341

The accompanying notes are an integral part of these financial statements.

RICHLAND TOWNSHIP

**Statement of Net Assets
Proprietary Funds
March 31, 2005**

	Enterprise Funds			
	Sanitary Sewer	Water	Total	Internal Service
Assets				
Current assets				
Cash and cash equivalents	\$ 169,598	\$ 112,936	\$ 282,534	\$ 37,726
Accounts receivable	36,829	43,419	80,248	-
Prepaid expenses	1,333	1,333	2,666	
Total current assets	207,760	157,688	365,448	37,726
Capital assets				
Property, plant and equipment	2,224,726	1,570,102	3,794,828	207,983
Less allowance for accumulated depreciation	(1,307,597)	(644,572)	(1,952,169)	(165,944)
Total capital assets	917,129	925,530	1,842,659	42,039
Total assets	1,124,889	1,083,218	2,208,107	79,765
Liabilities				
Current liabilities				
Accounts payable	6,347	1,120	7,467	711
Accrued liabilities	1,850	14,632	16,482	-
Current portion of long-term debt:				
Bonds payable	-	30,000	30,000	-
Total current liabilities	8,197	45,752	53,949	711
Long-term liabilities				
Bonds payable (net of deferred charges of \$23,147)	-	481,852	481,852	-
Total liabilities	8,197	527,604	535,801	711
Net assets				
Investment in capital assets, net of related debt	917,129	413,678	1,330,807	42,039
Unrestricted	199,563	141,936	341,499	37,015
Total net assets	\$ 1,116,692	\$ 555,614	\$ 1,672,306	\$ 79,054

The accompanying notes are an integral part of these financial statements.

RICHLAND TOWNSHIP

**Reconciliation of Net Assets on the Statement of
Net Assets for Enterprise Funds to Net Assets of
Business-Type Activities on the Statement of Net Assets
March 31, 2005**

Net assets - total enterprise funds	\$ 1,672,306
Amounts reported for <i>business-type activities</i> in the statement of net assets are different because:	
Elimination of Internal Service Fund activities	<u>(29,909)</u>
Net assets of business-type activities	<u><u>\$ 1,642,397</u></u>

The accompanying notes are an integral part of these financial statements.

RICHLAND TOWNSHIP

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds For the Year Ended March 31, 2005

	Enterprise Funds			Internal
	Sanitary Sewer	Water	Total	Service
Operating revenues				
Charges for services	\$ 165,889	\$ 215,430	\$ 381,319	\$ 341,033
Penalties	2,145	2,042	4,187	-
Other revenue	-	2,802	2,802	4,226
Total operating revenues	168,034	220,274	388,308	345,259
Operating expenses				
Salaries and wages	39,757	38,604	78,361	73,378
Employee benefits	38,108	36,924	75,032	250,507
Supplies and maintenance	7,882	14,323	22,205	8,281
Contractual services	10,387	12,082	22,469	75
Administration expense	5,000	-	5,000	-
Equipment rental	8,723	4,108	12,831	-
Insurance	2,389	2,389	4,778	2,920
Utilities	13,453	12,889	26,342	-
Repairs and maintenance	130	1,535	1,665	3,594
Depreciation	54,173	45,209	99,382	20,320
Amortization of issuance costs	-	1,929	1,929	-
Miscellaneous	560	4,747	5,307	-
Total operating expenses	180,562	174,739	355,301	359,075
Operating income (loss)	(12,528)	45,535	33,007	(13,816)
Nonoperating revenues (expenses)				
Interest revenue	2,746	1,921	4,667	1,241
Interest expense	-	(45,035)	(45,035)	-
Total nonoperating revenues (expenses)	2,746	(43,114)	(40,368)	1,241
Change in net assets	(9,782)	2,421	(7,361)	(12,575)
Net assets, beginning of year - as restated	1,126,474	553,193	1,679,667	91,629
Net assets, end of year	\$ 1,116,692	\$ 555,614	\$ 1,672,306	\$ 79,054

The accompanying notes are an integral part of these financial statements.

RICHLAND TOWNSHIP

**Reconciliation of the Statement of Revenues, Expenses
and Change in Fund Net Assets of Enterprise Funds
to the Statement of Activities
For the Year Ended March 31, 2005**

Change in net assets - total enterprise funds	\$ (7,361)
Elimination of Internal Service Fund activities	<u>(8,586)</u>
Change in net assets of business-type activities	<u><u>\$ (15,947)</u></u>

The accompanying notes are an integral part of these financial statements.

RICHLAND TOWNSHIP

**Statement of Cash Flows
Proprietary Funds
For the Year Ended March 31, 2005**

	Enterprise Funds			Internal
	Sanitary Sewer	Water	Total	Service
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 171,647	\$ 221,713	\$ 393,360	\$ -
Cash received from interfund services	-	-	-	345,259
Cash payments to employees	(40,285)	(26,585)	(66,870)	(73,378)
Cash payments to suppliers for goods and services	(47,922)	(53,872)	(101,794)	(14,900)
Cash payments for interfund services	(38,108)	(36,924)	(75,032)	(250,507)
NET CASH PROVIDED BY OPERATING ACTIVITIES	45,332	104,332	149,664	6,474
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on long-term debt	-	(30,000)	(30,000)	-
Interest and fiscal charges paid on long-term debt	-	(45,035)	(45,035)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	(75,035)	(75,035)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	2,746	1,921	4,667	1,241
NET INCREASE IN CASH AND CASH EQUIVALENTS	48,078	31,218	79,296	7,715
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	121,520	81,718	203,238	30,011
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 169,598	\$ 112,936	\$ 282,534	\$ 37,726
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income (loss)	\$ (12,528)	\$ 45,535	\$ 33,007	(13,816)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	54,173	45,209	99,382	20,320
Deferred charges	-	1,929	1,929	-
(Increase) decrease in assets:				
Accounts receivable	3,613	1,439	5,052	-
Prepays	(1,333)	(1,333)	(2,666)	-
Increase (decrease) in liabilities:				
Accounts payable	1,935	(466)	1,469	(30)
Accrued liabilities	(528)	12,019	11,491	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 45,332	\$ 104,332	\$ 149,664	\$ 6,474

The accompanying notes are an integral part of these financial statements.

RICHLAND TOWNSHIP

**Statement of Fiduciary Net Assets
Fiduciary Fund
March 31, 2005**

	<u>AGENCY</u> <u>CURRENT TAX</u> <u>COLLECTION</u>
Assets	
Cash and cash equivalents	\$ <u><u>-</u></u>
Liabilities	
Due to other funds	\$ <u><u>-</u></u>

The accompanying notes are an integral part of these financial statements.

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL REPORTING ENTITY

Richland Township (the “Township”) is a municipal corporation governed by an elected Board. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Township and its component unit. The component unit discussed below is included in the Township’s reporting entity because of the significance of its financial relationship with the Township.

Blended Component Unit

The Building Authority is included as a part of the Township’s financial statements since the Township appoints the governing authority Board and the Building Authority provides its services solely to the Township. The Building Authority activity is blended into the Township’s Water Enterprise Fund for reporting purposes because the services were related to Water Enterprise Fund assets, which is in accordance with generally accepted accounting principles. A complete financial statement can be obtained from Richland Township Offices, 1180 N. Hemlock Road, Hemlock, Michigan 48626.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

The *fire fund* accounts for the separate voted millage and the related operation of the fire department.

The *police fund* accounts for the separate voted millage and the related operation of the police department.

The *trash collection fund* accounts for the contractual services the Township has retained for garbage/trash removal.

The *library fund* accounts for the separate voted millage and related operation of the library.

The government reports the following major proprietary funds:

The *sanitary sewer fund* accounts for the activities of the government's sewage disposal and treatment system.

The *water fund* accounts for the activities of the government's water distribution and treatment system.

Additionally, the Township reports the following fund types:

Internal service funds account for fringe benefit and fleet management services provided to other departments or agencies of the government on a cost reimbursement basis.

Agency funds are used to account for assets held for other governments in an agency capacity, including tax collections.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government.

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

BUDGETS AND BUDGETARY ACCOUNTING

Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP), and are adopted on a function level for each fund. The Township did amend its budget for the year ended March 31, 2005. Any revisions that alter the total expenditures of any fund must be approved by the Township Board.

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

Investments are reported at fair value.

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Township property taxes are attached as an enforceable lien on property as of December 1. Taxes are levied December 1 and are due without penalty on or before February 14. These tax bills include the Township's own property taxes and taxes billed on behalf of the school districts within the Township boundaries and Saginaw County.

Real property taxes not collected as of March 1 are turned over to Saginaw County for collection, which advances the Township 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

Restricted assets

In the Police and Trash Collection Funds, certain funds have been received with donor restrictions as to use. Also, certain resources have been set aside to fund capital asset replacements.

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Capital assets

Capital assets, which include property, plant, equipment and water and sewer systems, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20-30
Buildings	20-50
System infrastructure	5-40
Equipment	5-20
Vehicles	5-20

Compensated absences

Employees earn vacation and sick leave based on years of service. Vacation days are accrued annually on January 1 and the employee must take the time during the year following accrual, except for the 40 hour carryover that is allowed at the end of each year.

The employees earn 80 hours of vacation annually for the first five years of employment. The vacation hours accrual goes up to 120 hours annually after five years. In addition, supervisory level employees receive 40 more hours of vacation each year. The vacation hours accrued at the March 31 year end are valued using each employees current pay rate.

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Risk management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and distribution of assets; errors and omissions; injuries to employees and natural disasters. The Township carries commercial insurance to cover any potential claims associated with these risks and has had no claims that exceeded the insurance coverage during the past three years.

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS FOR BUDGETARY FUNDS

During the year ended March 31, 2005, the Township incurred expenditures in the General and Special Revenue Funds which were in excess of the amounts appropriated in the various functions as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Over Budget</u>
GENERAL FUND			
General government	\$329,771	\$330,744	\$ 973
SPECIAL REVENUE FUNDS			
FIRE – Capital outlay	118,316	127,156	8,840
POLICE – Public safety	302,292	302,967	675
TRASH COLLECTION – Public works	142,483	153,145	10,662
PARK –Capital outlay	4,085	5,609	1,524
BUILDING DEPARTMENT – Public safety	35,539	36,117	578

3. DEPOSITS AND INVESTMENTS

	<u>Deposits</u>
Government-wide Financial Statement Captions:	
Cash and cash equivalents	\$1,503,351
Restricted cash and cash equivalents	14,144
Fiduciary Fund Financial Statement Captions:	
Cash and cash equivalents	<u>-</u>
Total	<u>\$1,517,495</u>

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Deposits

Deposits are carried at cost. Deposits of the Township are at three financial institutions in the name of the Township.

As of March 31, 2005, the carrying amount and bank balance of the Township's deposits were classified as to risk as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 200,000	\$ 200,000
Uninsured - uncollateralized	<u>1,317,495</u>	<u>1,305,600</u>
Total	<u>\$1,517,495</u>	<u>\$1,505,600</u>

In accordance with Act 20 PA 1943 as amended, the Township board approved the following investment policy:

- ◆ Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- ◆ Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution. Authorized depositories shall be designated by the Richland Township Board of Trustees at the Board's organizational meeting after each regular election of Trustees.
- ◆ Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- ◆ Investment pools through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- ◆ Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.11 to 129.118.

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

- ◆ The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Township's deposits are in accordance with statutory authority.

4. RECEIVABLES

Receivables as of year end for the Township's governmental and business-type activities in the aggregate, are as follows:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Receivables:		
Taxes	\$ 49,493	\$ -
Accounts	-	80,248
Intergovernmental	<u>48,514</u>	<u>-</u>
Total receivables	<u>\$ 98,007</u>	<u>\$ 80,248</u>

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

5. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated – Land	\$ 157,833	\$ -	\$ -	\$ 157,833
Capital assets being depreciated:				
Land improvements	469,994	-	-	469,994
Building	1,295,837	165,295	-	1,461,132
Equipment	185,108	96,417	-	281,525
Vehicles	357,786	-	(12,500)	345,286
Total capital assets being depreciated	<u>2,308,725</u>	<u>261,712</u>	<u>(12,500)</u>	<u>2,557,937</u>
Less accumulated depreciation				
Land improvements	(252,374)	(16,619)	-	(268,993)
Building	(343,524)	(36,438)	-	(379,962)
Equipment	(109,460)	(33,485)	-	(142,945)
Vehicles	(158,604)	(26,428)	2,500	(182,532)
Total accumulated depreciation	<u>(863,962)</u>	<u>(112,970)</u>	<u>2,500</u>	<u>(974,432)</u>
Total capital assets being depreciated, net	<u>1,444,763</u>	<u>148,742</u>	<u>(10,000)</u>	<u>1,583,505</u>
Governmental activities capital assets, net	<u>\$ 1,602,596</u>	<u>\$ 148,742</u>	<u>\$ (10,000)</u>	<u>\$ 1,741,338</u>

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 67,590	\$ -	\$ -	\$ 67,590
Capital assets being depreciated:				
Land improvements	6,514	-	-	6,514
Building, plants, mains and lagoons	3,678,499	-	-	3,678,499
Equipment	42,225	-	-	42,225
Vehicles	-	-	-	-
Total capital assets being depreciated	<u>3,727,238</u>	<u>-</u>	<u>-</u>	<u>3,727,238</u>
Less accumulated depreciation				
Land improvements	(6,514)	-	-	(6,514)
Building, plants, mains and lagoons	(1,816,097)	(97,832)	-	(1,913,929)
Equipment	(30,176)	(1,550)	-	(31,726)
Vehicles	-	-	-	-
Total accumulated depreciation	<u>(1,852,787)</u>	<u>(99,382)</u>	<u>-</u>	<u>(1,952,169)</u>
Total capital assets being depreciated, net	<u>1,874,451</u>	<u>(99,382)</u>	<u>-</u>	<u>1,775,069</u>
Business-type activities capital assets, net	<u>\$ 1,942,041</u>	<u>\$ (99,382)</u>	<u>\$ -</u>	<u>\$ 1,842,659</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 50,189
Public safety	45,606
Public works	547
Recreation and cultural	<u>16,628</u>

Total depreciation expense – governmental activities **\$ 112,970**

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Business-type activities:

Sanitary Sewer	\$ 54,173
Water	<u>45,209</u>

Total depreciation expense – business-type activities **\$ 99,382**

6. PAYABLES

Accounts payable and accrued expenses as of year end for the Township's governmental and business-type activities in the aggregate, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Payables:		
Accounts	\$ 22,855	\$ 7,467
Accrued liabilities	9,301	16,482
Intergovernmental	<u>8,712</u>	<u>-</u>
Total payables	<u>\$ 40,868</u>	<u>\$ 23,949</u>

7. DEFINED BENEFIT PENSION PLAN

Plan Description

The Township's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Township participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Funding Policy

The Township is required to contribute at an actuarially determined rate; the current rate is 17.66% for Board of Trustees and 18.47% for General Employees of annual covered payroll. Employees are currently not required to contribute to the Plan. The contribution requirements of the Township are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the Township, depending on the MERS contribution program adopted by the Township.

Annual Pension Cost

For the year ended March 31, 2005, the Township's annual pension cost of \$76,199 for MERS was equal to the Township's required and actual contributions. The required contribution was determined using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.16% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect market value. The Township's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2004, the date of the latest actuarial valuation, was 30 years.

Three-Year Trend Information

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
3/31/03	\$ 60,081	100%	\$ 0
3/31/04	68,984	100	0
3/31/05	76,199	100	0

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/02	\$981,092	\$1,558,848	\$577,756	63%	\$345,875	167%
12/31/03	1,133,953	1,784,646	650,693	64	351,161	172
12/31/04	1,281,738	2,026,138	744,400	63	345,875	192

8. LONG-TERM DEBT

Long-term liability activity for the year ended March 31, 2005, was as follows:

	Balance April 1, 2004	Additions	(Reductions)	Balance March 31, 2005	Due within one year
Governmental Activities:					
Fire Truck revenue bonds dated April 28, 1999, which bear interest at 3.15% to 4.55% are due serially through 2010. The principal and interest are to be paid from the revenue of the fire tax levy.	\$ 125,000	\$ -	\$ (20,000)	\$ 105,000	\$ 20,000
Township Complex revenue bonds dated July 1, 2002, which bear interest at 2.5% to 4.625% are due serially through 2017. The principal and interest are to be paid from Act 140 PA 1971 (revenue sharing).	475,000	-	(25,000)	450,000	30,000
Accrued compensated absences	<u>22,594</u>	<u>26,142</u>	<u>(22,933)</u>	<u>25,803</u>	<u>24,054</u>
Total Governmental Activity					
Long-Term Liabilities	<u>\$ 622,594</u>	<u>\$ 26,142</u>	<u>\$ (67,933)</u>	<u>\$ 580,803</u>	<u>\$ 74,054</u>

For the governmental activities, accrued compensated absences are generally liquidated by the general fund.

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

	Balance April 1, 2004	Additions	(Reductions)	Balance March 31, 2005	Due within one year
Business-type Activities :					
Building Authority's Water Tower Bond, maturing serially through 2016, with interest from 4.100% to 5.875%	565,000	-	(30,000)	535,000	30,000
Less: Deferred charges	(25,077)	-	1,929	(23,148)	-
Total Business-type Activity					
Long-Term Liabilities	<u>\$ 539,923</u>	<u>\$ -</u>	<u>\$ (28,071)</u>	<u>\$ 511,852</u>	<u>\$ 30,000</u>

The annual requirements to pay future principal and interest on the governmental activity revenue bonds are as follows:

<u>Year ending March 31,</u>	<u>Governmental Activities Principal</u>	<u>Interest</u>
2006	\$50,000	\$22,133
2007	50,000	20,522
2008	50,000	18,773
2009	50,000	16,965
2010	55,000	15,062
2011-2015	175,000	50,981
2016-2018	<u>125,000</u>	<u>11,644</u>
	<u>\$ 555,000</u>	<u>\$ 156,080</u>

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Business-type revenue bond debt service requirements to maturity are as follows:

<u>Year ending March 31,</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 30,000	\$ 30,678
2007	35,000	29,072
2008	35,000	27,165
2009	40,000	25,240
2010	40,000	23,020
2011-15	240,000	77,982
2016-17	<u>115,000</u>	<u>10,281</u>
	<u>\$ 535,000</u>	<u>\$ 223,438</u>

9. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Receivables/Payables

Due To	<u>Due From</u>			
	<u>General</u>	<u>Library</u>	<u>Nonmajor governmental funds</u>	<u>Total</u>
Trash Collection	\$ 629	\$ -	\$ -	\$ 629
Nonmajor governmental funds	<u>5,325</u>	<u>314</u>	<u>418</u>	<u>6,057</u>
Total	<u>\$ 5,954</u>	<u>\$ 314</u>	<u>\$ 418</u>	<u>\$ 6,686</u>

The balances are a result of over and under payment of tax funds during the fiscal year.

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Interfund Transfers

Transfer To	Transfer From			
	<u>General</u>	<u>Fire</u>	<u>Police</u>	<u>Total</u>
General	\$ -	\$ 216	\$ 1,457	\$ 1,673
Nonmajor governmental funds	<u>14,415</u>	<u>-</u>	<u>-</u>	<u>14,415</u>
Total	<u>\$ 14,415</u>	<u>\$ 216</u>	<u>\$ 1,457</u>	<u>\$ 16,088</u>

The interfund transfer from the Police and Fire Special Revenue Funds to the Township Building Construction Special Revenue Fund is for the purposes of funding renovations and improvements to the public safety building.

The interfund transfer from the General Fund to the Property Tax Administration Special Revenue Fund is to subsidize excess expenditures and to ensure that the Property Tax Administration Fund fund balance is stable from year to year.

10. INTERFUND ADVANCES

During the fiscal year 2003/2004, the Township made improvements and an expansion to the public safety building, which now houses both the police and fire departments. The General Fund provided a long-term loan to the Police and Fire Funds to pay for these improvements. The Police Fund will be required to make annual payments to the General Fund in the amount of \$5,861, including 2% interest, over the next 30 years. The Fire Fund will be required to make annual payments to the General Fund in the amount of \$7,177, including 2% interest, over the next three years.

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Interfund Advances

Advance To:	Advance From <u>General</u>
Police	\$ 127,716
Fire	<u>13,921</u>
Total Advances	<u>\$ 141,637</u>

11. RESTATEMENTS

For various Governmental Funds, an Internal Service Fund, and the Governmental Activities, errors were made in accounting for accrued payroll at March 31, 2004. These errors have been corrected and had the following effect on the beginning fund balances/net assets:

	<u>General</u>	<u>Police</u>	<u>Governmental Library</u>	<u>Park</u>	<u>Building Department</u>	<u>Internal Service Fringe Benefit</u>
Beginning fund balance/net assets, as previously reported	\$ 403,020	\$155,417	\$241,704	\$ 120,793	\$ 49,801	\$ -
Adjustment for accrued payroll	<u>(3,023)</u>	<u>(3,036)</u>	<u>(2,184)</u>	<u>(570)</u>	<u>(126)</u>	<u>(448)</u>
Beginning fund balance/net assets, as restated	<u>\$ 399,997</u>	<u>\$152,381</u>	<u>\$239,520</u>	<u>\$ 120,223</u>	<u>\$ 49,675</u>	<u>\$ (448)</u>

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

For the Sewer and Water Funds and the Business-Type Activities errors were made in accounting for accrued payroll at March 31, 2004. These errors have been corrected and had the following effect on the beginning net assets:

	Sanitary <u>Sewer</u>	<u>Water</u>
Beginning net assets, as previously reported	\$ 1,127,266	\$554,220
Adjustment for accrued payroll	<u>(792)</u>	<u>(1,027)</u>
Beginning net assets, as restated	<u>\$ 1,126,474</u>	<u>\$553,193</u>

12. COMMITMENTS AND CONTINGENCIES

In the normal course of operations, the Township becomes a party to various claims and lawsuits. In the opinion of the legal council and Township management, the ultimate resolution of such matters will not have a material effect on the financial position of the Township.

* * * * *

SUPPLEMENTARY INFORMATION

RICHLAND TOWNSHIP

Schedule of Expenditures - Budget and Actual General Fund For the Year Ended March 31, 2005

	Budgeted Amounts			Actual Over (Under)
	Original	Final	Actual	Final Budget
GENERAL GOVERNMENT				
Township board	\$ 6,750	\$ 6,297	\$ 6,297	\$ -
Township supervisor	8,244	8,337	8,337	-
Township manager	54,346	59,203	58,515	(688)
Elections	7,325	7,703	7,703	-
Legal and audit	15,300	21,584	21,584	-
Clerk	9,494	8,012	8,012	-
Township property	36,450	34,291	34,728	437
Administration	191,225	184,344	185,568	1,224
	329,134	329,771	330,744	973
PUBLIC SAFETY				
Planning commission	9,900	17,448	17,448	-
Board of appeals	300	195	195	-
	10,200	17,643	17,643	-
PUBLIC WORKS				
Department of Public Works	1,800	-	-	-
Roads and bridges	169,000	196,767	197,372	605
Drains-at-large	500	3,107	3,107	-
Street lighting	25,840	19,169	20,959	1,790
Equipment rental	1,600	-	-	-
Miscellaneous	8,050	31,231	5,279	(25,952)
	206,790	250,274	226,717	(23,557)
HEALTH AND WELFARE				
Health department	3,000	3,434	3,434	-
CAPITAL OUTLAY				
	8,000	2,446	2,446	-
DEBT SERVICE				
Principal	25,000	25,000	25,000	-
Interest	18,805	18,180	18,180	-
	43,805	43,180	43,180	-
TOTAL EXPENDITURES	\$ 600,929	\$ 646,748	\$ 624,164	\$ (22,584)

RICHLAND TOWNSHIP

**Schedule of Detailed Expenditures
General Fund
For the Year Ended March 31, 2005**

TOWNSHIP BOARD

Fees and per diem	\$ 4,340
Dues and conferences	1,125
Printing and publishing	300
Miscellaneous	532
	<hr/>
	6,297
	<hr/>

TOWNSHIP SUPERVISOR

Salary	7,194
Dues and conferences	1,143
	<hr/>
	8,337
	<hr/>

TOWNSHIP MANAGER

Salary	55,891
Supplies	1,040
Dues and conferences	1,220
Equipment rental	275
Miscellaneous	89
	<hr/>
	58,515
	<hr/>

ELECTIONS

Salaries	3,941
Supplies	2,360
Contractual services	240
Printing and publishing	732
Miscellaneous	430
	<hr/>
	7,703
	<hr/>

LEGAL AND INDEPENDENT AUDIT

21,584

RICHLAND TOWNSHIP

Schedule of Detailed Expenditures (Continued)

General Fund

For the Year Ended March 31, 2005

CLERK

Salary	\$ 7,144
Dues and conferences	140
Miscellaneous	<u>728</u>
	<u>8,012</u>

TOWNSHIP PROPERTY

Salaries and wages	17,637
Supplies	3,449
Contractual services	500
Utilities	3,644
Repairs and maintenance	633
Equipment rental	7,314
Insurance	1,450
Miscellaneous	<u>101</u>
	<u>34,728</u>

ADMINISTRATION

Salaries and wages	20,712
Employee benefits	103,669
Supplies	9,157
Utilities	8,956
Telephone	5,058
Consultant fees	10,715
Repairs and maintenance	2,816
Insurance	21,915
Miscellaneous	<u>2,570</u>
	<u>185,568</u>

RICHLAND TOWNSHIP

Schedule of Detailed Expenditures (Continued)
General Fund
For the Year Ended March 31, 2005

PLANNING COMMISSION

Fees and per diem	\$ 8,087
Contractual services	6,606
Printing and publishing	192
Miscellaneous	<u>2,563</u>
	<u>17,448</u>

BOARD OF APPEALS

Fees and per diem	45
Miscellaneous	<u>150</u>
	<u>195</u>

PUBLIC WORKS

Roads and bridges	197,372
Drains-at-large	3,107
Street lighting	20,959
Miscellaneous	<u>5,279</u>
	<u>226,717</u>

HEALTH AND WELFARE

Health department	<u>3,434</u>
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CAPITAL OUTLAY

<u>2,446</u>

DEBT SERVICE

Principal	25,000
Interest	<u>18,180</u>
	<u>43,180</u>

TOTAL EXPENDITURES

<u>\$ 624,164</u>

RICHLAND TOWNSHIP

**Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2005**

	Park	Building Department
Assets		
Cash and cash equivalents	\$ 145,475	\$ 43,119
Due from other funds	-	-
Total assets	\$ 145,475	\$ 43,119
Liabilities and fund equity		
Liabilities		
Accounts payable	\$ 570	\$ 523
Due to other funds	418	-
Total liabilities	988	523
Fund balances		
Unreserved:		
Undesignated	144,487	42,596
Total liabilities and fund equity	\$ 145,475	\$ 43,119

Special Revenue Funds		Permanent Fund	Total Nonmajor Governmental Funds
Property Tax Administration	Total	Cemetery Trust	
\$ 32,402	\$ 220,996	\$ 521	\$ 221,517
6,057	6,057	-	6,057
<u>\$ 38,459</u>	<u>\$ 227,053</u>	<u>\$ 521</u>	<u>\$ 227,574</u>
\$ -	\$ 1,093	\$ -	\$ 1,093
-	418	-	418
-	1,511	-	1,511
38,459	225,542	521	226,063
<u>\$ 38,459</u>	<u>\$ 227,053</u>	<u>\$ 521</u>	<u>\$ 227,574</u>

RICHLAND TOWNSHIP

**Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended March 31, 2005**

	Park	Building Department
Revenues		
Taxes	\$ 93,364	\$ -
Licenses and permits	-	27,786
Intergovernmental revenue:		
State	-	-
Charges for services	18,872	-
Contributions and donations	700	-
Interest	1,545	1,067
Other revenue	269	185
Total revenues	114,750	29,038
Expenditures		
General government	-	-
Public safety	-	36,117
Recreational and cultural	84,876	-
Capital outlay	5,609	-
Total expenditures	90,485	36,117
Revenues over (under) expenditures	24,265	(7,079)
Other financing sources		
Transfers in	-	-
Total other financing sources (uses)	-	-
Net change in fund balances	24,265	(7,079)
Fund balances, beginning of year - as restated	120,222	49,675
Fund balances, end of year	\$ 144,487	\$ 42,596

Special Revenue Funds		Permanent Fund	Total Nonmajor Governmental Funds
Property Tax Administration	Total	Cemetery Trust	
\$ -	\$ 93,364	\$ -	\$ 93,364
-	27,786	-	27,786
5,705	5,705	-	5,705
35,166	54,038	-	54,038
-	700	-	700
596	3,208	2	3,210
-	454	-	454
41,467	185,255	2	185,257
50,803	50,803	-	50,803
-	36,117	-	36,117
-	84,876	-	84,876
-	5,609	-	5,609
50,803	177,405	-	177,405
(9,336)	7,850	2	7,852
14,415	14,415	-	14,415
14,415	14,415	-	14,415
5,079	22,265	2	22,267
33,380	203,277	519	203,796
\$ 38,459	\$ 225,542	\$ 521	\$ 226,063

RICHLAND TOWNSHIP

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Park Fund For the Year Ended March 31, 2005

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Taxes	\$ 91,588	\$ 93,782	\$ 93,364	\$ (418)
Charges for services	19,800	18,872	18,872	-
Donations	700	700	700	-
Interest	650	1,545	1,545	-
Other revenue	75	269	269	-
Total revenues	112,813	115,168	114,750	(418)
Expenditures				
Recreation and cultural:				
Salaries	43,920	40,323	40,323	-
Employee benefits	4,300	4,658	4,658	-
Fees and per diem	1,000	-	-	-
Operating supplies	23,900	18,148	18,223	75
Contractual services	2,750	1,825	1,825	-
Insurance	1,500	1,437	1,437	-
Printing and publishing	25	-	-	-
Telephone and utilities	5,300	4,577	5,072	495
Repairs and maintenance	4,000	5,348	5,348	-
Equipment rental	100	1,980	456	(1,524)
Miscellaneous	7,600	7,534	7,534	-
Capital outlay	46,418	4,085	5,609	1,524
Total expenditures	140,813	89,915	90,485	570
Net change in fund balances	(28,000)	25,253	24,265	(988)
Fund balances, beginning of year - as restated	120,222	120,222	120,222	-
Fund balances, end of year	\$ 92,222	\$ 145,475	\$ 144,487	\$ (988)

RICHLAND TOWNSHIP

**Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Building Department Fund
For the Year Ended March 31, 2005**

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Licenses and permits	\$ 38,500	\$ 27,786	\$ 27,786	\$ -
Interest	400	1,067	1,067	-
Miscellaneous	50	185	185	-
Total revenues	38,950	29,038	29,038	-
Expenditures				
Public safety:				
Salaries	28,000	25,402	25,937	535
Employee benefits	4,860	5,218	5,218	-
Supplies	2,000	250	250	-
Insurance	275	275	275	-
Administration fees	960	910	910	-
Workshops and conferences	1,000	1,072	1,072	-
Miscellaneous	4,700	2,412	2,455	43
Total expenditures	41,795	35,539	36,117	578
Net change in fund balances	(2,845)	(6,501)	(7,079)	(578)
Fund balances, beginning of year - as restated	49,675	49,675	49,675	-
Fund balances, end of year	\$ 46,830	\$ 43,174	\$ 42,596	\$ (578)

RICHLAND TOWNSHIP

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Property Tax Administration Fund For the Year Ended March 31, 2005

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
State grants	\$ 5,700	\$ 5,705	\$ 5,705	\$ -
Tax collection fees	33,280	29,110	35,166	6,056
Interest	225	596	596	-
Total revenues	<u>39,205</u>	<u>35,411</u>	<u>41,467</u>	<u>6,056</u>
Expenditures				
General government:				
Salaries and fees	12,970	19,091	19,091	-
Employee benefits	4,200	4,218	4,216	(2)
Supplies	1,800	1,107	1,107	-
Tax roll preparation	5,200	6,056	6,056	-
Contractual services	27,700	18,140	18,140	-
Printing and publishing	200	1,626	1,626	-
Administration fees	450	450	450	-
Workshops and conferences	600	-	-	-
Miscellaneous	500	117	117	-
Total expenditures	<u>53,620</u>	<u>50,805</u>	<u>50,803</u>	<u>(2)</u>
Net change in fund balances	(14,415)	(15,394)	(9,336)	6,058
Other financing sources				
Transfers in	14,415	14,415	14,415	-
Net change in fund balances	-	(979)	5,079	6,058
Fund balances, beginning of year	33,380	33,380	33,380	-
Fund balances, end of year	<u>\$ 33,380</u>	<u>\$ 32,401</u>	<u>\$ 38,459</u>	<u>\$ 6,058</u>

RICHLAND TOWNSHIP

INTERNAL SERVICE FUNDS

STATEMENT OF NET ASSETS

MARCH 31, 2005

	MOTOR POOL	FRINGE BENEFIT	TOTAL
Assets			
Current assets			
Cash and cash equivalents	\$ 37,631	\$ 95	\$ 37,726
Capital assets			
Equipment	106,740	-	106,740
Vehicles	101,243	-	101,243
Less allowance for depreciation	(165,944)	-	(165,944)
Total capital assets	42,039	-	42,039
Total assets	79,670	95	79,765
Liabilities			
Current liabilities			
Accounts payable	711	-	711
Net assets - unrestricted	\$ 78,959	\$ 95	\$ 79,054

RICHLAND TOWNSHIP

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS**

FOR THE YEAR ENDED MARCH 31, 2005

	MOTOR POOL	FRINGE BENEFIT	TOTAL
Operating revenues			
Charges for services	\$ 21,516	\$ 319,517	\$ 341,033
Reimbursements	-	3,415	3,415
Other revenue	-	811	811
Total operating revenues	<u>21,516</u>	<u>323,743</u>	<u>345,259</u>
Operating expenses			
Salaries and wages	174	73,204	73,378
Employee benefits	-	250,507	250,507
Supplies	8,281	-	8,281
Contractual services	75	-	75
Insurance	2,920	-	2,920
Repairs and maintenance	3,594	-	3,594
Depreciation	20,320	-	20,320
Total operating expenses	<u>35,364</u>	<u>323,711</u>	<u>359,075</u>
Operating income (loss)	<u>(13,848)</u>	<u>32</u>	<u>(13,816)</u>
Nonoperating revenues (expenses)			
Interest revenue	<u>730</u>	<u>511</u>	<u>1,241</u>
Change in net assets	(13,118)	543	(12,575)
Net assets (deficit), beginning of year - as restated	<u>92,077</u>	<u>(448)</u>	<u>91,629</u>
Net assets, end of year	<u><u>\$ 78,959</u></u>	<u><u>\$ 95</u></u>	<u><u>\$ 79,054</u></u>

RICHLAND TOWNSHIP

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2005

	MOTOR POOL	FRINGE BENEFIT	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from interfund services	\$ 21,516	\$ 323,743	\$ 345,259
Cash payments to employees	(174)	(73,204)	(73,378)
Cash payments to suppliers for goods and services	(14,452)	(250,955)	(265,407)
NET CASH PROVIDED BY OPERATING ACTIVITIES	6,890	(416)	6,474
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	730	511	1,241
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,620	95	7,715
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	30,011	-	30,011
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 37,631	\$ 95	\$ 37,726
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ (13,848)	\$ 32	\$ (13,816)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	20,320	-	20,320
Increase (decrease) in liabilities:			
Accounts payable	418	(448)	(30)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 6,890	\$ (416)	\$ 6,474

RICHLAND TOWNSHIP

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE YEAR ENDED MARCH 31, 2005

	BALANCE APRIL 1, 2004			ADDITIONS	DEDUCTIONS	BALANCE MARCH 31, 2005	
Assets							
Cash and cash equivalents	\$	-	\$	3,186,630	\$	3,186,630	\$ -
Liabilities							
Due to other funds	\$	-	\$	661,681	\$	661,681	\$ -
Due to other governmental units		-		2,524,949		2,524,949	-
<u>TOTAL LIABILITIES</u>	\$	-	\$	3,186,630	\$	3,186,630	\$ -



REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**

An Independent Member of Baker Tilly International

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

July 1, 2005

Members of the Township Board
Richland Township
Hemlock, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Richland Township** as of and for the year ended March 31, 2005, and have issued our report thereon dated July 1, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **Richland Township's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect **Richland's Township's** ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

The reportable condition is as follows:

As is common with Townships of this size, there is an overall lack of segregation of duties with regard to the accounting functions.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ***Richland Township's*** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of management and the Township Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.



REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**

An Independent Member of Baker Tilly International

July 1, 2005

To the Township Board
Richland Township
Hemlock, Michigan 48626

In planning and performing our audit of the basic financial statements of ***Richland Township, Michigan***, for the year ended March 31, 2005, we considered the Township's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated July 1, 2005, on the financial statements of ***Richland Township, Michigan***.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

We would like to thank the management and personnel for their support and assistance during our audit of ***Richland Township, Michigan***, for the year ended March 31, 2005.

RICHLAND TOWNSHIP, MICHIGAN
COMMENTS AND RECOMMENDATIONS
MARCH 31, 2005

A. Allocation of Fringe Benefits

The Township accounts for activities related to its fringe benefits in the Fringe Benefit Internal Service Fund. All costs of the Township's Fringe Benefit Fund are recovered by this fund, through "premium" charges to other funds. The Township does not appear to be charging other funds for the benefits in a consistent manner. Fringes are not charged to funds on a regular basis and are based upon budgeted wages. Charges to funds are not adjusted to reflect variances between budgeted wages and actual wages.

We recommend that the Township allocate costs of the Fringe Benefit Internal Service Fund to other funds based upon actual wages of the fund consistently throughout the year.